



General Assembly

February Session, 2000

***Raised Bill No. 5758***

LCO No. 1843

Referred to Committee on Planning and Development

Introduced by:  
(PD)

***An Act Concerning Municipal Pension Deficit Funding Bonds.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (2) of subsection (a) of section 1 of public act  
2 99-182 is repealed and the following is substituted in lieu thereof:

3 (2) "Actuarially recommended contribution" means the lesser of the  
4 annual employer normal cost or the recommended annual required  
5 contribution to the pension plan of the municipality, each of which is  
6 established by the actuarial valuation and determined by an enrolled  
7 actuary in a method and using assumptions meeting the parameters  
8 established by generally accepted accounting principles provided such  
9 contribution shall, in a time and manner to be prescribed by  
10 regulations adopted by the secretary, in consultation with the  
11 Treasurer, be at least equal to the amount actuarially determined  
12 necessary to maintain the pension plan's funding ratio substantially  
13 the same as immediately succeeding the deposit of the proceeds of the  
14 pension deficit funding bonds in such pension plan; except that if the  
15 funding ratio declines because investment returns do not achieve the  
16 actuarially assumed rate of return, then during the first five fiscal years  
17 commencing after the issuance of the pension deficit funding, no such

18 payments shall be required to be made to maintain the pension plan's  
19 funding ratio substantially the same as immediately succeeding the  
20 deposit of the proceeds of the deficit funding bonds in such pension  
21 plan, provided, after the expiration of such five-year period, the  
22 actuarially recommended contribution shall be at least equal to the  
23 amount actuarially determined necessary to bring the funding ratio  
24 within a period meeting the parameters established by generally  
25 accepted accounting principles to substantially the same funding ratio  
26 as immediately succeeding the deposit of the proceeds of the pension  
27 deficit funding bonds in the pension plan.

28       Sec. 2. Subsection (e) of section 1 of public act 99-182 is repealed and  
29 the following is substituted in lieu thereof:

30       (e) Except as otherwise provided by this section, the provisions and  
31 limitations of this chapter shall apply to any pension deficit funding  
32 bonds issued pursuant to the provisions of this section. Such pension  
33 deficit funding bonds shall be general obligations of the municipality,  
34 and shall be serial bonds maturing in annual or semiannual  
35 instalments of principal, or shall be term bonds with mandatory  
36 annual or semiannual deposits of sinking fund payments into a  
37 sinking fund. Notwithstanding the provisions of any other general  
38 statute or of any special act, charter, special act charter, home-rule  
39 ordinance, local ordinance or local law, (1) the first instalment of any  
40 series of pension deficit funding bonds shall mature or the first sinking  
41 fund payment of any series of pension deficit funding bonds shall be  
42 due not later than eighteen months from the date of the issue of such  
43 series, provided that such first instalment shall mature or such first  
44 sinking fund payment shall be due not later than the fiscal year of the  
45 municipality next following the fiscal year in which such series is  
46 issued, and the last instalment of such series shall mature or the last  
47 sinking fund payment of such series shall be due not later than thirty  
48 years from such date of issue, or in the event the issuance of the  
49 pension deficit funding bonds shall not adversely affect the rating of  
50 the issuer by Moody's Investor Services, Inc. Standard & Poor's Ratings

51 Service, a division of the McGraw-Hill Companies, Inc. or Fitch IBCA,  
52 Inc., then, at the option of the issuer, the first instalment of interest  
53 shall mature not later than the first fiscal year following the issuance of  
54 the pension deficit funding bonds and the first instalment of principal  
55 of such series of pension deficit funding bonds shall mature or the first  
56 sinking funds payment of such series of pension bonds shall be due  
57 not later than the fifth anniversary of the issuance of such series of  
58 deficit funding bonds, and the last instalment of such series shall  
59 mature or the last sinking fund payment shall be due not later than  
60 thirty years from date of issue or other amortization schedule whose  
61 weighted average maturity does not exceed the actuarially determined  
62 average weighted maturity of the pension benefit being funded, (2)  
63 any such pension deficit funding bonds may be sold at public sale on  
64 sealed proposal, by negotiation or by private placement in such  
65 manner at such price or prices, at such time or times and on such terms  
66 or conditions as the municipality, or the officers or board of the  
67 municipality delegated the authority to issue such bonds, determines  
68 to be in the best interest of the municipality, and (3) no municipality  
69 shall issue temporary notes in anticipation of the receipt of the  
70 proceeds from the sale of its pension deficit funding bonds.

71 Sec. 3. Subsection (f) of section 1 of public act 99-182 is repealed and  
72 the following is substituted in lieu thereof:

73 (f) Proceeds of the pension deficit funding bonds, to the extent not  
74 applied to the payment of costs related to the issuance thereof or the  
75 establishment of a reserve fund, shall be deposited in the pension plan  
76 of the municipality to fund the unfunded past benefit obligation for  
77 which the bonds were issued, and, notwithstanding any limitations on  
78 the investment of proceeds received from the sale of bonds, notes or  
79 other obligations set forth in section 7-400 may be invested in  
80 accordance with the terms of said pension plan, as such terms may be  
81 amended from time to time. If any part of a pension plan assets are  
82 proceeds from pension deficit funding bonds, then the investment of  
83 the assets of such plan shall be made by a pension investment board

84 for such plan. For each plan, the pension investment board shall  
85 consist of five members. The five members shall be the chief executive  
86 officer of the issuer, the chief fiscal officer of the issuer, an employee  
87 representative and two individuals with investment expertise selected  
88 by the chief executive officer of the issuer.

***Statement of Purpose:***

To revise procedures regarding municipal pension deficit funding bonds by (1) clarifying the application of certain actuarial rules, (2) giving the issuer additional options in structuring the maturity of the bonds, and (3) establishing an investment board specifically constituted to invest the bond proceeds in a prudent manner.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*